

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL FIVE)

Docket No. RM2018-8

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-6 OF CHAIRMAN'S INFORMATION REQUEST NO. 2**
(August 3, 2018)

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 2, issued July 27, 2018. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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August 3, 2018

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1. Please refer to Library Reference USPS-RM2018-8/NP1, June 26, 2018, folder "ICRA," folder "Supporting Files," folder "FPS Inbound Data," folder "Data as Received," Excel file "RPW-Carwash for ICRA-FY17(6'18).xlsx," tab "FY17 FPS Carwash (ADJ)," columns AG:AM.
 - a. Please provide a workbook demonstrating how these data were developed from the dispatch format data reported in columns X:AF, with supporting data for the underlying distribution keys.
 - b. Please confirm that the revenue, pieces, and weight reported in columns AG:AM are the "reallocated" item format revenue, pieces, and weight referred to in the Petition. Petition, Proposal Five at 5.
 - c. If part b is confirmed, please also confirm, if this proposal is approved, that the data in columns AG:AM, will be directly incorporated into the FY 2018 International Cost and Revenue Analysis (ICRA) report, rather than the data in columns X:AF, as modified by distribution keys based on columns AG:AM.¹
 - d. If part b is not confirmed, please explain the purpose of columns AG:AM and how these data are developed.

RESPONSE:

- a. Please see the Excel workbook associated with the response to this question provided under seal within USPS-RM2018-8/NP4, which demonstrates how the information in X:AF appears in columns AG:AM, and provides data files used for the distribution of Dispatch Formats to Item Formats.
- b. Confirmed.
- c. Confirmed.
- d. NA

¹ See Library Reference USPS-RM2018-8/NP1, folder "ICRA," folder "Supporting Files," folder "FPS Inbound Data," Excel file "FPS_Inbound_Inputs.xlsx," tabs "ALC_E," "ALC_E_PQ1," "ALC_E_PQ2," "ALC_E_PQ3," "ALC_E_PQ4," "SAO_E," "SAO_E_PQ1," "SAO_E_PQ2," "SAO_E_PQ3," and "SAO_E_PQ4."

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2. Please refer to Library Reference USPS-RM2018-8/NP1, folder "ICRA," folder "Supporting Files," folder "FPS Inbound Data," folder "Data as Received," Excel file "RPW-Carwash for ICRA-FY17(6'18).xlsx," tab "Pivot for FPS Inbound Input."
- a. Please confirm that the reported distributions in Library Reference USPS-RM2018-8/NP1, folder "ICRA," folder "Supporting Files," folder "FPS Inbound Data," Excel file "FPS_Inbound_Inputs.xlsx" tabs "ALC_E," and "SAO_E" are calculated at the fiscal year level and applied to quarterly volumes.
 - b. If part a is confirmed, please explain why an annual distribution is applied to quarterly volumes. Please also describe any plans to use quarterly data in the future.
 - c. If part a is not confirmed, please identify for what time period these distributions are calculated and explain the rationale.

RESPONSE:

- a. Confirmed.
- b. The use of annual proportions for purposes of preparing documentation for this proceeding was done to minimize the number of calculations needed to develop the proper annual distribution of shape-amounts for FY 2017, while at the same time, tying to the country amounts reported in the FY 2017 ICRA. For the FY 2018 ICRA, the quarterly raw FPS data will be processed directly into the ICRA, and there will be no need for the proportional sharing of amounts to shapes.
- c. NA

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3. Please refer to Library Reference USPS-RM2018-8/NP2, July 17, 2018, Excel file "Prop5 ChIR1 Q3b.xlsx." Please provide workpapers demonstrating how the Postal Service calculated this crosswalk.

RESPONSE:

The crosswalk was created using a pivot table linked to the underlying data. The Excel file associated with the response to this question provided in USPS-RM2018-8/NP4 reflects the fields used.

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4. Please refer to the response to Chairman's Information Request No. 1 (CHIR No. 1), question 4.c.² According to the Postal Service, "Now that all packets are intended to be scanned, the scanning costs will be implicitly included in the packets cost derived from the normal sampling process." Response to CHIR No. 1, question 4.c.
- a. Please confirm that the Postal Service intends to scan all format E mailpieces, including bulky letters.³
 - b. If part a is confirmed, please identify the provision in the Universal Postal Convention or its Regulations that requires designated operators to scan all format E mailpieces. If there is no such provision in the Universal Postal Convention or its Regulations, please explain why the Postal Service intends to scan all format E mailpieces.
 - c. If part a is not confirmed, please identify the "packets" the Postal Service intends to scan, specifying their Universal Postal Union format (P, G, E) and contents (documents or goods). Please also identify the provision in the Universal Postal Convention or its Regulations that requires designated operators to scan those "packets." If there is no such provision in the Universal Postal Convention or its Regulations, please explain why the Postal Service intends to scan "all packets."

RESPONSE:

- a. Not confirmed.
- b. NA
- c. The statement: "Now that all packets are intended to be scanned, the scanning costs will be implicitly included in the packets cost derived from the normal sampling process" applies to all small packets with barcodes. Although not all format E items will necessarily have barcodes, the statement was meant to highlight the fact that as scanning increases, data systems like IOCS will pick up the increased scanning costs in the usual

² Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 1, July 17, 2018, question 4.c. (Responses to CHIR No. 1).

³ The Postal Service uses the term "packets" to refer all format E mailpieces, including both bulky letters and small packets. See Petition, Proposal Five at 2.

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data collection process. In the case of IOCS, barcoded items will increase as a relative proportion of the distribution keys as compared to non-scanned items.

In terms of UPU materials, please see the Postal Service response to Question 4 of Chairman's Information Request No. 1 in this proceeding, filed July 17, 2018. Universal Postal Convention Regulation 17-107.6.4 provides that, "[d]esignated postal operators shall apply a single barcode identifier conforming to UPU Technical Standard S10 to small packets containing goods . . . [T]he presence of such an identifier shall not imply the provision of a delivery confirmation service." According to Universal Postal Convention Regulation 17-102.2, UPU format E may contain only documents, only goods, or a mixture of the two. As such, small packets containing goods or a mixture of documents and goods will be required to have barcodes, according to Universal Postal Convention Regulation 17-107.6.

Even though a format E letter post item may not be required to have a barcode, it is likely that some format E items not required to bear a barcode will still have barcodes nevertheless. Consequently, in reality, small packets as well as bulky letters that bear barcodes may routinely be scanned, regardless of the UPU requirements, because of the inherent difficulties in administering procedures within which scanning is required on just some barcodes on particular pieces of inbound letter post mail

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based on their contents. As such, all barcodes on small packets and bulky letters that bear them are subject to scanning. As the volume of pieces with barcodes varies, the scanning activity of carriers will vary accordingly, and the sampling systems are designed to capture the actual level of scanning activity.

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5. According to the Postal Service, “[t]he revenue by Dispatch Format is . . . distributed to the Item Formats based upon the Dispatch Format’s average revenue per pound.” Petition, Proposal Five at 9.
- a. Please explain how the Postal Service calculates and applies this distribution.
 - b. Please explain why this distribution is appropriate for those mail flows for which terminal dues are calculated on a per-item and per-kilogram basis.
 - c. Please explain the feasibility of distributing dispatch format revenue to item formats based on revenue per piece and revenue per pound for those mail flows for which terminal dues are calculated on a per-item and per-kilogram basis.

RESPONSE:

- a. As demonstrated in the Excel file associated with the response to Question 1.a of this Information Request (provided under seal within USPS-RM2018-8/NP4), the average revenue per pound for a given Dispatch Format is calculated and then multiplied by the weight distributed to each Item Format in order to calculate the Item Format revenue.
- b. This distribution is appropriate given the mail characteristics within each Dispatch Format and the new terminal dues rate structure. As shown in the Excel file associated with the response to this question (also provided under seal within USPS-RM2018-8/NP4), the substantial majority of pieces and weight for a given Item Format are received in a Dispatch Format with the appropriate terminal dues rate. Dispatch Format letters and flats share the same terminal dues rates. Dispatch Format mixed only has a per kilogram component.

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- c. Given the reasons provided in part b above, we have adopted the current methodology as most appropriate at this time. Further modifications of the type suggested in this question can perhaps be evaluated going forward.

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6. Please refer to Library Reference USPS-RM2018-8/NP2, document "Prop 5 Q10b Part22017 Reflecting Proposed Changes.pdf," at 31-35 (Technical Description).
- a. For FY 2017, please provide the following information for each mail flow stratum:
 - i. The number of receptacles sampled;
 - ii. The percentage of the mail flow from that stratum represented by those receptacles;
 - iii. The Items Per Kilogram (IPK); and
 - iv. The variance estimate of the IPK.
 - b. For FY 2017, please provide the following information for each country and for all countries combined:
 - i. The inbound LC/AO⁴ piece estimate;
 - ii. The variance estimate of inbound LC/AO pieces;
 - iii. The inbound LC/AO IPK; and
 - iv. The variance estimate of the inbound LC/AO IPK.
 - c. Please see Attachment, filed under seal.
 - d. Please see Attachment, filed under seal.

RESPONSE:

a.-b. The requested data are provided in an Excel file associated with this response filed under seal as part of USPS-RM2018-8/NP4.

c.-d. Responses are filed under seal in the Preface of USPS-RM2018-8/NP4.

⁴ "LC/AO" is an abbreviation for "lettres et cartes" and "autres objets," and is French for "letters and cards" and "other objects." LC/AO includes inbound letters, cards, flats, bulky letters, and small packets.